

R 132300Z MAR 09  
FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC 5638  
DEPT OF COMMERCE WASHINGTON DC  
DEPT OF ENERGY WASHINGTON DC  
DEPT OF TREASURY WASHINGTON DC  
NSC WASHINGTON DC  
INFO ALL US CONSULATES IN MEXICO COLLECTIVE

UNCLAS MEXICO 000771

STATE FOR WHA/MEX, WHA/EPSC  
STATE FOR EEB  
USDOC FOR 4320/ITA/MAC/WH/ONAFITA/GWORD  
TREASURY FOR IA  
ENERGY FOR WARD, LOCKWOOD AND DAVIS

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [ENRG](#) [ELTN](#) [EAIR](#) [PGOV](#) [SENV](#) [MX](#)  
SUBJECT: Mexico Economic Weekly - March 13

¶1. (U) The Mexico Economic Weekly supplements reporting from Mission Mexico Consulates and the Embassy Mexico Economic Section to provide a sense of ongoing trends. Please contact Adam Shub (shubam@state.gov) or Sigrid Emrich (emrichs@state.gov) for questions or comments about this report.

¶2. (U) Table of Contents:

TRADE AND INVESTMENT:  
-----

NEW POLICE FORCE TO SUPPORT TOURISM IN TAMAULIPAS - Matamoros

BRITISH AMBASSADOR VISITS TAMAULIPAS - Matamoros

CNIMME PRESIDENT VISITS RAMMAC - Matamoros

IVA TAX REFUNDS FRUSTRATING MAQUILADORA MANAGERS - Matamoros

CEMEX CONTINUES TO FACE DEBT PROBLEMS - Monterrey

AGRICULTURE EXPORTS - Monterrey

WILL SECURITY CONCERNS IMPACT INVESTMENT IN CHIHUAHUA? Ciudad Juarez

STATE POLICE INCREASES SECURITY FOR MAQUILA SECTOR; CRIME RATES DECLINE 60 PERCENT Q Ciudad Juarez

U.S COMPANY WILL INVEST IN BAJA CALIFORNIA - Tijuana

IN EARLY MARCH, MEXICAN PRESIDENT FELIPE CALDERON CAME TO BAJA CALIFORNIA, VISITING TWO OF THE STATE'S MOST IMPORTANT CITIES Q Tijuana

TRANSPORTATION AND INFRASTRUCTURE:  
-----

CANACAR PLANNING PROTESTS ON MARCH 23 - Matamoros

LABOR:  
-----

HIRING CONCERNS ABOUT PUBLIC SAFETY OVERHAUL - Matamoros

REDUCED WORKING CONDITIONS REMAIN HIGH - Matamoros

ECONOMY AND FINANCE:  
-----

-----  
TRADE AND INVESTMENT:  
-----

13. (U) NEW POLICE FORCE TO SUPPORT TOURISM IN TAMAULIPAS: Tamaulipas Secretary of Tourism, Javier Villarreal, revealed plans this week for a new state police force specifically aimed at protecting and helping tourists. The force will consist of bilingual officers specifically trained to serve in tourist destinations. Villarreal also noted that a pilot program has already been successfully implemented in the southern Tamaulipas port city of Tampico. (Matamoros)

14. (U) BRITISH AMBASSADOR VISITS TAMAULIPAS: England's ambassador to Mexico, Giles Paxman, was invited by Gov. Eugenio Hernandez Flores to visit the state of Tamaulipas during the week of March 2. According to Eduardo Manzur Manzur, the state Secretary of Economy's general director of industrial and commercial support, the Governor is reaching out to foreign embassies in Mexico City to seek direct promotion and support in attracting new investments by "showing them the advantages of the region and to take advantage of the businesses already operating here." After visiting the southern port region of Tampico, Altamira and Madero with Manzur Manzur, the British ambassador met with the governor in Ciudad Victoria before traveling with the state Secretary of Economy's general director of investment promotion, Zonia Torres, to the border town of Matamoros. In Matamoros, Amb. Paxman met with Matamoros Mayor Erick Silva Santos before visiting the Matamoros Maquiladora Association (AMMAC). While public press reports noted that the visit was geared toward general familiarization with the regional economic conditions, at least part of the trip was tied to security concerns in regard to current and potential future British investments along the US/Mexico border. According to AMMAC director Roberto Mattus, "Ambassador Paxman is a smart man and he knows that we are not like Juarez and Tijuana in regard to security concerns." Mattus further noted that after meeting the Ambassador last week he believed the visit was, in part, to verify that Matamoros and the northeastern Mexico border, while not devoid of security issues, is not operating under the same security threats as other industrial cities along the border. (Matamoros)

15. (U) CNIMME PRESIDENT VISITS RAMMAC: Cesar Castro, president of the National Maquiladora Association (CNIMME) visited Reynosa this week to meet Reynosa Maquiladora Association (RAMMAC) managers regarding the national organization's 2009 agenda. Castro told managers that security concerns are the number one issue for the national organization, assuring RAMMAC members at its monthly meeting that the national organization is working closely with federal entities to help create a more secure operating environment for manufacturers. Castro also noted efforts to assist managers with tax concerns. RAMMAC President Dan McGrew commented on managers' fears that decreasing oil revenues will put added pressure on industry, particularly in regard to the IETU tax, to fill the revenue gap for the federal government. (Matamoros)

16. (U) IVA TAX REFUNDS FRUSTRATING MAQUILADORA MANAGERS: Processes surrounding IVA tax refunds were prominent topics of discussion at both the Matamoros Maquiladora Association (AMMAC) and Reynosa Maquiladora Association (RAMMAC) monthly meetings this week. Inconsistencies and unclear deadlines of "opening and closing and opening and closing windows" with the filing process according to Vicente Dardenas, plant manager of Mervis in Lucio Blanco, Tamaulipas have many managers upset about the process. According to AMMAC President Monica Gonzalez

Greer, there is a great deal of frustration with the process; so much so that AMMAC's guest speaker this month was a representative of the Secretary of Hacienda who was berated with questions about the process. AMMAC also planned two working sessions in the upcoming week to help managers work through the process. "It's not a local problem . . . It's national," said AMMAC Director Roberto Mattus. (Matamoros)

17. (U) CEMEX CONTINUES TO FACE DEBT PROBLEMS:

International building materials supplier and cement producer Cemex is facing nearly US\$17 billion of expiring debt in the next five years and a possibility of default because of the economic slowdown. On March 9, Cemex announced that it has temporarily shelved plans to issue US\$500 million of new debt. According to press reports, potential investors were asking for an interest rate of near 20% for the company's bond issue to reflect the increased risk based on falling domestic and international demand -- even though Cemex had a 'BB' bond rating from Standard & Poor's. About 25% of Cemex's revenues come from the United States, 33% from Mexico and the rest from other parts of the world. Cemex stock is down over 80% compared to the same time last year. Now that a bond issue has, for the time being, been ruled out, Cemex must negotiate a line of credit with its creditors. A Deutsche Bank analyst suspects the Mexican government will be forced to intervene by providing loan guarantees if Cemex cannot renegotiate its debt soon. After the failed bond offering, Standard & Poor's further downgraded Cemex's rating to 'B'. (Monterrey)

18. (U) AGRICULTURE EXPORTS: According to recently published USDA figures, the United States agriculture exports to Mexico totaled nearly US\$16.1 billion in 2008, a 26% increase over 2007, and nearly beat out exports to Canada for the first time ever. Overall, agriculture trade with Mexico represents a US\$5.2 billion trade surplus for the United States. The largest gains came from bulk agriculture products such as wheat, coarse grains, rice and soybeans. Trade exports from the United States to Mexico have increased every year since the implementation of NAFTA but exports are expected to decline this year due to the economic crisis and the possibility of retaliatory tariffs against the United States for halting the Cross Border Trucking Program. The FAS attache met with companies exporting near the border the week of March 2; they reported that US food exports already appear to be off 20% due to the depreciation of the peso. (Monterrey)

19. (U) WILL SECURITY CONCERNS IMPACT INVESTMENT IN CHIHUAHUA?: This past year, economic and security conditions in Chihuahua deteriorated considerably. Total foreign direct investment in 2008 fell by almost 40 percent compared to 2007, while homicides in Ciudad Juarez increased by more than 500 percent. Still, business organizations continue to insist that no investors have decided against doing business in Chihuahua because of the security environment. Rather, they say, and other indicators seem to confirm, that the fall in FDI has been principally driven by the economic downturn in the US, especially in the US manufacturing sector. According to the spokesperson for Grupo Chihuahua de Cementos (GCC), Mexico's second largest cement company after CEMEX, "the collapse in U.S. demand has impacted sales more than the rising costs associated with security." He explained that "security costs are only one percent higher for the firm's operations in Chihuahua than in the United States." Nonetheless, a U.S. private equity investor with exposure in EPIC Technologies, a U.S. electronic manufacturing firm with two plants in Juarez, told Post that many of the firm's current and potential customers refuse to visit their plants in Juarez due to security concerns. These visits, he stated, "are an essential step to winning business and important to retaining it." Similar concerns are also reflected by the rising number of requests by U.S.

investors for security briefings from Post's Regional Security Officer (RSO). Many potential investors told the RSO that they will delay investment until security conditions improve. Yet for other firms, investment in Chihuahua continues to make financial sense despite the high crime rates, due to its proximity to US markets, low labor costs and the declining value of the peso. (Ciudad Juarez)

¶10. (U) STATE POLICE INCREASES SECURITY FOR MAQUILA SECTOR; CRIME RATES DECLINE 60 PERCENT: In recent months, Maquila employees have been the victims of numerous armed assaults, kidnappings and extortion in Ciudad Juarez. In response, on January 20, Chihuahua's Industrial Police Division (CIPOL Industrial) increased patrols and personnel dedicated to providing security for the city's 19 industrial parks. Preliminary results announced on March 6 by the President of the Maquila Association in Ciudad Juarez (AMAC), Soledad Maynez Bribiesca, show that the increased security presence has led to a 60 percent decline in crime on Maquila employees. She added, however, that crime rates remain too high. Beginning this week, the number of police assigned to protect the Maquila industry will increase even further when 40 additional police join the 60 existing "CIPOL Industrial" officers currently responsible for patrolling industrial parks. (Ciudad Juarez)

¶11. (U) U.S COMPANY WILL INVEST IN BAJA CALIFORNIA: On March 4, the Governor Osuna Millan of Baja California had an appointment with the Company Kristal Enterprises, one of the largest (OIM) manufacturers of stretch limousines and luxury vehicles in the United States. This company will establish a new plant in Mexicali, investing US\$ 40 million and creating an estimated 500 jobs. (Tijuana)

¶12. (U) IN EARLY MARCH, MEXICAN PRESIDENT FELIPE CALDERON CAME TO BAJA CALIFORNIA, VISITING TWO OF THE STATE'S MOST IMPORTANT CITIES: On March 5, the President toured the 'Punta Brava' real estate project in Ensenada, where construction of a world-class golf course with Tiger Woods' backing will soon begin. The following day, the President visited Japanese enterprise "Kyocera Mexicana" in Tijuana, where he made a commitment to build an energy plant with solar panels. The President emphasized that local companies enjoy a great advantage due to their Baja California location. He took the opportunity of his visit to also talk about Tijuana's security issues. (Tijuana)

-----  
TRANSPORTATION AND INFRASTRUCTURE:  
-----

¶13. (U) CANACAR PLANNING PROTESTS ON MARCH 23: Transportation union CANACAR notified the Reynosa Maquiladora Association (RAMMAC) that it is planning a protest against rising diesel fuel costs on March 23. The local arm of the union plans to block commercial traffic at the Reynosa-Pharr International Bridge, though does not plan to disrupt passenger vehicle traffic. While RAMMAC members are concerned about the potential effects on their processes especially those employing "just in time" manufacturing RAMMAC President Dan McGrew said: "To their credit, they gave us two week's notice." Both the mayor of Reynosa and the governor of Tamaulipas have publicly stated that they were determined to keep the bridges open following a rash of other bridge-blocking protests in January and February. According to Reynosa's Secretary of Economy Armando Zertuche Zuani, the governor and the mayor are raising the issue of the threatened CANACAR protest at the highest levels with President Calderon in efforts to help manufacturers keep goods flowing across the border. (Matamoros)

-----

LABOR:

-----  
¶14. (U) HIRING CONCERNS ABOUT PUBLIC SAFETY OVERHAUL: The federal Secretary of Public Safety Genaro Garcia Luna was in Tamaulipas this week in regard to a federal program to overhaul corrupt and ineffective public safety systems. Reynosa Secretary of Economic Development and Employment Armando Zertuche Zuani met with Garcia Luna on March 10 to discuss hiring needs in the region. According to Zertuche Zuani, the federal plan calls for 6,000 new hires in Tamaulipas as entire public security sectors Q including public security forces in Reynosa are overhauled up to 100 percent, from police on the street to administrative positions. While optimistic, Zertuche Zuani said he recognizes a large challenge in identifying enough qualified candidates. He even spoke with South Texas economic development leaders about the possibility of advertising available positions in Texas, hoping to attract potentially eligible workers especially dual nationals living in South Texas Q to work in Reynosa. (Matamoros)

¶15. (U) REDUCED WORKING CONDITIONS REMAIN HIGH: Working conditions in Matamoros maquiladoras remain strained as the number of workers affected by reduce working conditions remain roughly three times those affected in November and December 2008 Q themselves the months with the highest number of effected workers for 2008. Matamoros Maquiladora Association (AMMAC) members reported 4,511 and 5,156 workers affected by reduced working conditions in the last two months of 2008, respectively, but 22,982 and 15,057 in the first two months of 2009, respectively. "There are still a lot of people Q though they still have jobs Q who are working fewer hours and making less money," said Angelica Gomez, director of AMMAC's labor committee. However, AMMAC President Monica Gonzalez Greer commented that "at least the trend is in the right direction" as February saw a marked improvement versus January, though still significantly higher than any other month in recent history. (Matamoros)

-----  
ECONOMY AND FINANCE:  
-----

¶16. (U) JOB LOSSES SLOW: Nuevo Leon lost 9,057 jobs in February compared to losses of 15,859 in January and 32,391 in December. The employment report by the Instituto Mexicano del Seguro Social (IMSS) also showed a small increase of 500 part time employees. This uptick in part time employment is the first increase since September 2008 and was seen by an analyst as a sign that job losses may be near its peak. A quarter of Nuevo Leon's economy depends on manufacturing exports so the state remains at risk of a further weakening of the U.S. economy. Final trade numbers are not available for the first two months of the year but exports fell over 20% the last three months of 2008. (Monterrey)

BASSETT